

CONFORMED COPY

CREDIT NUMBER 2466 CV

Development Credit Agreement

(Transport and Infrastructure Project)

between

REPUBLIC OF CAPE VERDE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 19, 1993

CREDIT NUMBER 2466 CV

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 19, 1993, between REPUBLIC OF CAPE VERDE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received from the Borrower one letter, dated September 11, 1992, describing a program of actions, objectives and policies designed to achieve an adjustment of the Borrower's transport sector, and another letter, dated September 8, 1992, describing a program of actions, objectives and policies designed to achieve an adjustment of the Borrower's teleports sub-sector (hereinafter referred to collectively as "the Program");

(B) the Borrower has declared its commitment to the execution of the Program, and has requested the Association to assist in the financing of the Project described in Schedule 2 to this Agreement;

(C) the Borrower intends to contract from the Federal Republic of Germany (Kreditanstalt für Wiederaufbau or KfW) a grant (the KfW Grant) in an amount equivalent to ten million one hundred thousand deutsche marks (DM10,100,000) to assist in financing the Project on the terms and conditions set forth in an agreement (the KfW Grant Agreement) to be entered into between the Borrower and KfW;

(D) the Borrower intends to contract from the Kingdom of the Netherlands

(Netherlands) a grant (the Netherlands Grant) in an amount equivalent to six million guilders (f.6,000,000) to assist in financing the Project on the terms and conditions set forth in an agreement (the Netherlands Grant Agreement) to be entered into between the Borrower and Netherlands;

(E) the Borrower intends to contract from the African Development Fund (ADF) a loan (the ADF Loan) in an amount equivalent to four million dollars (\$4,000,000) to assist in financing the Project on the terms and conditions set forth in an agreement (the ADF Loan Agreement) to be entered into between the Borrower and ADF;

(F) the Borrower intends to contract from the Arab Bank for Economic Development in Africa (ABEDA) a loan (the ABEDA Loan) in an amount equivalent to ten million dollars (\$10,000,000) to assist in financing the Project on the terms and conditions set forth in an agreement (the ABEDA Loan Agreement) to be entered into between the Borrower and ABEDA;

(G) the Borrower intends to contract from OPEC Fund for International Development (OPEC Fund) a loan (the OPEC Fund Loan) in an amount equivalent to two million five hundred thousand dollars (\$2,500,000) to assist in financing the Project on the terms and conditions set forth in an agreement (the OPEC Fund Loan Agreement) to be entered into between the Borrower and OPEC Fund;

(H) the Borrower intends to contract other loans and/or grants to assist in financing the Project;

(I) Parts A.1 and E.5 of the Project will be carried out by the Borrower's Empresa Nacional de Administracao dos Portos (ENAPOR) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ENAPOR a portion of the proceeds of the Credit as provided in this Agreement;

(J) the Borrower and ENAPOR have concluded a contract plan for the period from January 1993 to December 1995 (the Contract Plan), designed to grant ENAPOR more autonomy in pricing and personnel management decisions coupled with increased accountability in the achievement of productivity and financial profitability targets;

(K) for the purposes of Part C of the Project, the Borrower has adopted an action plan for the reorganization of shipping services in the Borrower's territory (the Action Plan), which it has duly communicated to the Association; and

(L) the Borrower has submitted to the Association an Implementation Manual (the Implementation Manual), in which it defines the roles and functions of the various persons and entities involved in the implementation of the Project, their reporting obligations, conflict resolution mechanisms, and communication and other procedures under the Project; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and ENAPOR;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "DGLT" means the Land Transport General Directorate of MIT;
- (b) "MIT" means the Borrower's Ministry of Infrastructure and Transport;
- (c) "Project Account" means the account referred to in Section 2.02 (c) of this Agreement;
- (d) "Project Agreement" means the agreement between the Association and ENAPOR, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;
- (e) "Program Coordinator" means the Program Coordinator designated under paragraph 1 of Schedule 4 to this Agreement;
- (f) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated January 10 and January 17, 1992 between the Borrower and the Association;
- (g) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (h) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and ENAPOR pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreement; and
- (i) "TPU" means the Transport Planning Unit referred to under Part E.1 of the Project.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eight million nine hundred thousand Special Drawing Rights (SDR 8,900,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in the Bank of Cape Verde on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) The Borrower shall open and maintain a Project account in the Bank of Cape Verde, into which it shall deposit from time to time, and in accordance with the work program and disbursement schedule agreed upon with the Association, the counterpart funds that it has undertaken to contribute under the Project.

(d) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1998 or such later date as the

Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 15 and August 15 commencing August 15, 2003 and ending February 15, 2033. Each installment to and including the installment payable on February 15, 2013 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. ENAPOR is designated as representative of the Borrower in respect of Parts A.1 and E.5 of the Project for the purposes of taking any action required or permitted to be taken

under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end:

(i) shall carry out the Project (other than Parts A.1 and E.5 thereof) through MIT with due diligence and efficiency and in conformity with appropriate administrative and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and

(ii) without limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause ENAPOR to perform all its obligations set forth in the Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ENAPOR to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Manual and the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall relend a portion of the proceeds of the Credit equivalent to the amount allocated thereunder to Parts A.1 and E.5 of the Project to ENAPOR under a subsidiary loan agreement to be entered into between the Borrower and ENAPOR, under terms and conditions acceptable to the Association, which shall include: (i) an annual interest rate of 7.5 per cent and a repayment period of 20 years, including a grace period of 4 years; and (ii) provisions requiring ENAPOR to bear the foreign exchange risks involved in the transaction.

(d) The Borrower shall exercise its rights under the Subsidiary Loan Agreement and the Contract Plan in such manner as to protect the interests of the Borrower and the Association, and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or the Contract Plan, or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, the Borrower shall carry out its investment program in accordance with the guidelines specified to that effect under the Program.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for the Project (other than Parts A.1 and E.5 thereof) and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts A.1 and E.5 of the Project shall be carried out by ENAPOR pursuant to Section 2.03 of the Project Agreement.

### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records

and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project (other than Parts A.1 and E.5 thereof) of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

## ARTICLE V

### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(b) ENAPOR shall have failed to perform any of its obligations under the Project Agreement.

(c) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that ENAPOR will be able to perform its obligations under the Project Agreement.

(d) The Decree establishing ENAPOR (Decree No. 58 of June 19, 1982, as amended by Decree No. 20/1992) shall have been amended, suspended, abrogated, repealed

or waived so as to affect materially and adversely the ability of ENAPOR to perform any of its obligations under the Project Agreement.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ENAPOR or for the suspension of its operations.

(f) (i) Subject to subparagraph (ii) of this paragraph:

(A) The right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms thereof, or

(B) any such loan shall have become due and payable prior to the maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of thirty days after notice thereof shall have been given by the Association to the Borrower;

(b) any event specified in paragraphs (a), (c), (d) and (e) of Section 5.01 of this Agreement shall occur;

(c) any event specified in paragraph (f) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (f) (ii) of that Section.

## ARTICLE VI

### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) The Subsidiary Loan Agreement has been executed on behalf of the Borrower and ENAPOR.

(b) The Borrower has introduced new port tariffs based on the findings and recommendations of the port pricing study, and satisfactory to the Association.

(c) The Borrower has designated the Program Coordinator, and recruited the consultants required to launch the technical assistance program under Part E of the Project, all of whom shall have qualifications and experience acceptable to the Association.

(d) Pursuant to its public transport legislation (Law No. 93/1989), the Borrower has issued an Executive Order establishing an adequate licensing scheme to regulate and control the provision of bus transport services by private operators.

(e) The Project Account has been duly opened and an initial deposit of two hundred thousand dollars (\$200,000) equivalent made therein.

(f) The Borrower has established a computerized accounting system and recruited an independent auditor, acceptable to the Association, to audit the Project

accounts in accordance with the requirements of Section 4.01 of this Agreement.

(g) The chief accountant referred to in Section 4.02 of the Project Agreement has been duly recruited.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by ENAPOR, and is legally binding upon ENAPOR in accordance with its terms; and

(b) that the Subsidiary Loan Agreement and the Contract Plan have been duly authorized or ratified by the Borrower and ENAPOR, and are legally binding upon the Borrower and ENAPOR in accordance with their respective terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. The Minister of Finance and Planning of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minister of Finance and Planning  
C. P. 30  
Praia  
Cabo Verde

Cable address:

FINANCAS  
CABO VERDE

Telex:

6058 MCECV

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (RCA)  
82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF CAPE VERDE



By /s/ Carlos Santos Silva

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Katherine Marshall

Acting Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works:		100% of foreign expenditures and 80% of local expenditures
(a) under Part A.1 of the Project	1,300,000	
(b) under Part A.2 of the Project	1,700,000	
(c) under Part B of the Project	640,000	
(2) Equipment:		100% of foreign expenditures and 80% of local expenditures
(a) under Part A.2 of the Project	210,000	
(b) other	150,000	
(3) Technical assistance:		100%
(a) under Part E.5 of the Project	290,000	
(b) other	2,300,000	
(4) Training under Part E.6 of the Project	290,000	100%
(5) Operating costs:		100% up to June 30, 1994; 60% up to June 30, 1995; and 25% up to June 30, 1996, and 0% thereafter
(a) ENAPOR	290,000	
(b) other	80,000	

(6)	Refunding of Project Preparation Advance	860,000	Amounts due pursuant to Section 2.02 (d) of this Agreement
(7)	Unallocated	790,000	
	TOTAL	8,900,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means the expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; provided however that, if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures"; and

(c) the term "operating costs" means the incremental operating costs arising under the Project on account of salaries and allowances of local contractual staff, maintenance of vehicles and fuel, and office rent, supplies and utilities.

3. The percentages of expenditures to be financed under Category (5) of the table in paragraph 1 above shall be determined as of the date of each payment in respect of which disbursement is sought.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of payments made for expenditures prior to the date of this Agreement;

(b) under Category (1) (a) of the table in paragraph 1 of this Schedule, unless the Borrower has satisfied the Association that it has secured the additional funds required to finance Part A.1 of the Project;

(c) under Categories (1) (b) and (2) (a) of the table in paragraph 1 of this Schedule, unless: (i) the Borrower has concluded an agreement with KfW, or otherwise satisfied the Association that it has secured the additional funds required to finance Part A.2 of the Project, (ii) the Association has reviewed the results of modelling studies required for the preparation of detailed engineering under Part A.2 of the Project, and all corrective environmental measures that may be required in this regard have been incorporated in the final design, and (iii) based on the detailed engineering, it has been demonstrated that the component is economically justified; and

(d) under Category (4) of the table in paragraph 1 of this Schedule, unless the Borrower has submitted a training program, acceptable to the Association, giving details of all training proposals under the Project.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are: (i) to promote international competitiveness through port modernization, reorganization of the shipping industry and development of offshore information industries; (ii) to foster national economic integration by streamlining transport sector investment planning, and achieving a more balanced and cost effective allocation of resources; (iii) to prevent further erosion of the capital stock in the road network by setting up a road maintenance organization; (iv)

to support promotion of the local contracting industry through execution of a four-year road maintenance program; and (v) to promote economic growth and alleviate poverty in Fogo island through rehabilitation of its only port.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Port Development

1. Porto Grande

(a) Lengthening and widening of central finger pier, through construction of a quay wall of concrete gravity blocks on landward side of central pier.

(b) Strengthening of seaward berth.

(c) Construction of roll-on/roll-off ramp at root of new pier to allow handling of future island cargo flows.

(d) Reclamation of 20,000 sq. meters north of port for cargo storage.

(e) Construction of new passenger terminal on east side of fishing port.

(f) Provision of a 35-ton crane for container handling.

2. Vale de Cavaleiros

(a) Reconstruction of 270 m long breakwater in its initial location.

(b) Reconstruction of 120 m long berth located in inward face of breakwater.

(c) Construction of two secondary breakwaters to minimize negative impact of sand transit in and outside the port, and protect main breakwater.

(d) Provision of a 15-ton mobile crane for cargo handling and periodic maintenance works.

Part B: Highway Investment and Maintenance Program

1. Construction of two stretches of roads totalling 7 km to establish important links in Fogo and Praia, respectively.

2. Rehabilitation of a total length of 247 km, and upgrading of 64 km, of the road network.

3. Measures to improve road safety on 234 km of the road network.

4. Periodic and routine maintenance of the entire network.

Part C: Shipping Services

Implementation of an action plan for the reorganization of shipping services within a proper enabling regulatory environment.

Part D: Development of Offshore Information Industries

Creation of an institutional framework conducive to development of satellite earth station "teleports" by private investors.

Part E: Capacity Building

1. Development of a Transport Planning Unit within MIT to centralize information through a network of correspondents within and outside MIT, build up a data base and carry out an analysis of investment projects.

2. Development of central and local road management capabilities.
3. Establishment of a Road Management Unit to assist in data collection, analysis, assistance to TPU for major road works programming and evaluation of maintenance requirements, and contract monitoring of works.
4. Development and implementation of a road safety program.
5. Strengthening the capability of ENAPOR in the following areas: operations, human resources' management, financial management systems and marketing.
6. Training of: (i) the personnel of MIT engaged in, or in charge of, highway operations; and (ii) of members of the construction industry in the private sector, or employed by local government or municipal entities.

\* \* \*

The Project is expected to be completed by December 31, 1997.

### SCHEDULE 3

#### Procurement and Consultants' Services

##### Section I. Procurement of Goods and Works

###### Part A: International Competitive Bidding

1. Except as provided in Part B hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).
2. To the extent practicable, contracts for goods and works shall be grouped into bid packages estimated to cost the equivalent of \$250,000 or more.

###### Part B: Other Procurement Procedures

1. Office equipment and materials estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$500,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.
2. Office equipment and supplies estimated to cost the equivalent of \$20,000 or less per contract, up to an aggregate amount equivalent to \$200,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

###### Part C: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for goods and works estimated to cost the equivalent of \$150,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract, required to be furnished to the Association pursuant to said paragraph 2 (d), shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account,

such procedures shall be modified to ensure that the two conformed copies of the contract, together with the other information required to be furnished to the Association pursuant to said paragraph 3, shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

## Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project (other than Parts A.1 and E.5 thereof), the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

### SCHEDULE 4

#### Implementation Program

1. The Borrower shall designate the head of TPU, or any other suitably qualified and experienced official acceptable to the Association, to be the Program Coordinator. The Program Coordinator shall be responsible for the overall coordination of the implementation of the Project and, in particular, for liaison with the Association and other co-financiers, submission of disbursement requests, and compliance with auditing and other reporting requirements; to this end, he shall be assisted by a suitably qualified and experienced expert, having the requisite accounting and computer skills.

2. (a) Not later than November 15, 1993 and, thereafter, not later than November 15 of each subsequent year during the implementation period of the Project, the Borrower and the Association shall undertake, in conjunction with ENAPOR, a joint annual review of the Project or, in the case of the review to be undertaken not later than November 15, 1995, a mid-term review, during which they shall exchange views generally on all matters relating to the progress of the Project, and the performance by the Borrower and ENAPOR of their respective obligations under this Agreement, the Project Agreement, the Subsidiary Loan Agreement and the Contract Plan; including, but not limited to: (i) the level of planned investments in the transport sector for the forthcoming year, and actual investments for the current year, having regard to the guidelines specified to that effect under the Program; (ii) the level of road user charges and, in particular, their adequacy for purposes of road maintenance; and (iii) the progress achieved in the implementation of the training program, and of the Project in general, having regard to the key monitoring indicators agreed upon to that effect between the Borrower and the Association.

(b) Not later than one month prior to each such review, the Borrower shall furnish to the Association, for its comments, a report, in such detail as the Association shall reasonably request, on the progress and status of the Project, and giving details, in particular, of the specific issues due to be addressed during such review.

(c) Following each such review, the Borrower shall act promptly and diligently, in order to take, or assist ENAPOR in taking, any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement, or assist ENAPOR in implementing, such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project.

3. The Borrower shall take appropriate measures to implement the recommendations of

the Action Plan, in accordance with the time-table and implementation schedule set forth in the Action Plan.

4. DGLT shall be required, with effect from December 31, 1993, to be responsible for the collection and analysis of data on road user charges and, using methodologies agreed upon to that effect with the Association, to ensure that such charges are reasonably proportionate with road recurrent costs.

5. Upon the completion of reconstruction works under Part A.2 of the Project, the Borrower shall conclude a concession contract with ENAPOR, on terms and conditions which shall be acceptable to the Association, or make other arrangements acceptable to the Association, for the transfer to ENAPOR of the entire fixed assets of the Port of Vale de Cavaleiros.

6. The Borrower shall implement a program of merit-based financial incentives, which shall have been agreed upon with the Association, for the retention of key MIT staff involved in the implementation of the Project.

7. Prior to the commencement of any technical assistance activity under the Project, the Borrower shall take necessary steps to have in place the requisite number of suitably qualified and experienced local personnel to be the local counterparts of any expatriate technical assistance staff.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 (one million) to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to, or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account

such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the Project, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for the Project shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit into the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

[Redacted]